

# Exhibit J



## Non-Agency (Private Label) Desk Procedure Manual

**1.1 Document Owner Contact Information**

The Director of the Non-Agency Mortgage Desk will have ultimate ownership and signoff for the procedures manual. The Director of the Non-Agency Mortgage Desk will also be responsible for reviewing and approving any changes made to the document.

The backup party responsible will be the Sr. Trader.

Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy for contact information.

**1.2 Document Editor Contact Information**

As instructed by the Director of the Non-Agency Mortgage Desk, all maintenance and revisions to this document will be the responsibility of the Director of the Non-Agency Mortgage. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy for contact information.

**1.3 Document Change Control Matrix**

Revision Date	Revision Number	Revision Details	Section Revised	Revised by Name and Title	Manager Approval
6/26/2006	1	n/a	n/a	Paul Norris Director of Non Agency Mortgage Trading	Paul Norris

## **2 Introduction**

### **2.1 Policy Reference**

This procedure document is meant to implement, communicate, maintain and monitor the applicable policies below:

- Private Label Policy Manual
- Policy owner is Ramon DeCastro

### **2.2 Purpose**

The secondary mortgage market has seen substantial growth in mortgage securities issued by private entities and not guaranteed by Fannie Mae, Freddie Mac, Ginnie Mae or other government issuers or government sponsored entities. These securities are backed by single-family mortgage loans, currently comprised largely of loans with loan amounts in excess of the Fannie Mae's loan limits (although Fannie Mae does not purchase or guaranty securities backed by loans in excess of the conforming loan limit), subprime loans, Alt A loans, Manufactured Housing loans, FHA/VA Reperforming loans and second liens. Issuers include entities with which Fannie Mae traditionally has done business with as well as entities that have not traditionally done business with Fannie Mae. The underlying collateral may differ significantly from collateral Fannie Mae would normally acquire because of different credit standards, origination practices and servicing practices. In addition, private label securities are complex financial instruments with structured cash flow rules and are affected by servicer practices.

### **2.3 External Partners**

Internal to Portfolio Transactions: Mark to Market Desk and Middle Office

Internal to Fannie Mae: Securities Transactions Office (STO), Legal, Portfolio Strategies

External to Fannie Mae: Dealers, Rating Agencies, 3<sup>rd</sup> Party Guarantors, Originators

### **2.4 Referenced Materials**

- Mark to Market Procedures
- Trade Entry Manual
- Private Label Securities' Credit Policy
- Predatory Lending Policies
- EUC List

### **2.5 Definitions and Acronyms**

Please refer to Portfolio Transaction Definitions & Acronyms located at S:\Trading Desk\ProcedureManual\Working Copy

### **3 Process: Trading Non-Agency Mortgages**

#### **3.1 Process Definition**

Mortgage-Backed Securities (MBS) represent a pool of fixed income mortgage loans. The securities are traded on basic details, including coupon rate, settlement date, price, and dollar par amount of the securities.

#### **3.2 Purpose and Objectives**

#### **3.3 Credit Standards for New Purchases**

*(Our policy is in the process of being updated. Once the Policy is complete we will attach the full policy document as an exhibit. Please see below for our most current credit standards.)*

- Private label securities purchased or wrapped by Fannie Mae must have a minimum rating at time of purchase or wrap of AA/Aa2.
- Securities must have at least two ratings, and at least one of the ratings must be provided by S&P or Moody's.
- Purchased or wrapped private label securities rated below AAA require approval of the Chief Risk Officer or his designee.
- Purchased or wrapped private label securities rated AA/Aa2 at time of purchase or wrap are limited to 25% of the total mortgage portfolio and wrapped private label outstandings.
- In the event the security has two or more ratings that differ (split rating) the lowest rating will apply.
- The SVP – Portfolio Strategies Private Label Securities (PSPLS) has the authority to require credit enhancements in excess of those necessary to meet the requirements of this section, or to require changes to the structure of the underlying security in order to make the purchase or wrap acceptable to Fannie Mae. This authority may be necessary in unusual circumstances where a transaction differs from market norms and the VP believes changes to enhancement levels or structure are necessary for safety and soundness in a particular instance.
- Exceptions must be approved by the Chief Risk Officer or his designee.
- The SVP, Portfolio Transactions is responsible for establishing procedures to ensure that the requirements of this Section are complied with.

#### **3.4 Process Performers**

The participants in the Non-Agency Mortgage process are the Non-Agency Mortgage Desk Director, Sr Trader, or Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description. Unless noted in the Process Steps as handoffs, steps are assumed to be performed by process performers.

### **3.5 Process Owner**

The Director of the Non-Agency Mortgage Desk will have responsibility for the ultimate ownership, review, and signoff for the process. The backup party responsible will be the Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description

### **3.6 Frequency/Duration**

The Non-Agency Mortgage Desk will buy private label mortgage-backed securities on a daily basis. Each deal is unique and occurs on a per trade basis.

### **3.7 Critical Inputs/Information Required**

A dealer will offer a private label mortgage to the Non-Agency Mortgage Desk via phone. The dealer will electronically (email) send pool characteristics and a pdf file of the free writing prospectus, containing the structure, collateral, and credit enhancement of the deal. In addition, the dealer sends a Collateral Deal Information (CDI) file that can be uploaded into the Trader Analysis Console (TAC) for analysis.

### **3.8 Critical Outputs/Expected Results**

Based on the analysis of the dealer information, an Option Adjusted Spread (OAS) is created.

Deal Output:

- Bloomberg messages related to the deal.
- Deal termsheet.
- Free writing prospectus
- TAC runs
- Computational materials-marketing materials

## 4 Details: Trading Non-Agency Mortgages

### 4.1 Process Steps

#### Trade Initiation:

- 4.1.1 A Non-Agency Mortgage Trader will be contacted by a dealer for the purposes of facilitating a private label MBS transaction.
- 4.1.2 The Non-Agency Mortgage Trader will check with the Director of the Non-Agency Mortgage Desk to determine interest in executing the trade.

#### Obtain and Analyze Trade Details:

- 4.1.3 The dealer will sort conforming collateral based on Fannie Mae's stipulations. This includes our legal department's predatory guidelines, as well as Capital Markets current preference on trade stipulations.
- 4.1.4 The dealer will electronically (email) the resulting pool characteristics and a pdf file of the free writing prospectus, containing the structure, collateral, and credit enhancement of the deal. The dealer will also send a CDI file.
- 4.1.5 The Non-Agency Mortgage Trader verifies that only approved issuers are in Fannie Mae's class, referenced in the term sheet. If an issuer is included that is unapproved, that the trader will ask the dealer to remove this issuer's collateral from Fannie Mae's class.
- 4.1.6 The Non Agency Mortgage Trader will refer to credit strategy group updates for the Non-Agency portfolio to ensure that concentration limits for both Issuers and Servicers don't exceed the portfolio limit's for those entities.
- 4.1.7 In the event total outstanding purchases and wraps reach a net exposure of \$85 billion the credit strategy team will deliver a "Flash Memo" to the Private Label Securities Advisory Team ("PLAT") and to the CRO within three business days.
- 4.1.8 The Non-Agency Mortgage Trader verifies that each security is not an owners trust or debt interest, that the pool is conforming, that conforming cash flows are not crossed with the non conforming group at the senior level, by referring to the prospectus and deal documentation.
- 4.1.9 The Non Agency Mortgage Trader will enter the CDI file into the Trader Analysis Console (TAC) for analysis, to obtain an OAS spread. (\*Note – If CDI file is not available, the trader will input bond characteristics into TAC).
- 4.1.10 The trader will review the OAS and Deal Output (Bloomberg calculations and messages related to the deal, Deal term sheet, Free writing prospectus, TAC runs, Collateral sheet, Computational materials-marketing materials). <C>
- 4.1.11 The Non-Agency Mortgage Trader will negotiate trade terms with the proposed dealer including an acceptable pricing level for the transaction.
- 4.1.12 If the deal is accepted, the Non-Agency Mortgage Trader collects from the dealer all applicable information to fill out the trade ticket. If the bid is declined, the process comes to an end. Trades are voice recorded. <C>
- 4.1.13 The trader needs to get authorization from the Director of the Non-Agency Mortgage Desk to put through trade tickets <C>.

(\*Note – CDI files can later be obtained from INTEx, the Dealer, or trader)

#### Enter Trade:

- 4.1.14 Once a trade is executed, the Non-Agency Mortgage Trader enters trade details into STAMPS for recordkeeping and settlement purposes.
- 4.1.15 When inputting the trade into stamps, both the OAS and alt OAS should be reduced by 11bps. This 11bps represents a credit fee that is transferred from capital markets to single family. The 11bps credit adjustment is set at the corporate level.

**Please refer to the Trade Entry manual (REMIC section) for entering in private label mortgages.**

## ***4.2 Contingencies/Error Handling***

### **4.2.1 System Processing Error (Automated)**

System delays in analyzing deals. Major system issues should be escalated to the Director of Portfolio App's or one of the managers in that group.

### **4.2.2 Data Quality Error (Automated)**

The Non-Agency Traders understand where OAS curves should fall for certain products. Should analysis produce questionable details, the Non-Agency Trader will rely on support from other traders to potentially resolve the data error. The Director reviews the trades for completeness and accuracy, in addition to allocating appropriate capital for deals.

Also, data quality errors pass through and are checked by the Back Office. If an error occurs, voice recordings are reviewed.



## **5 Process: Mark to Market for Non-Agency Mortgages**

### **5.1 Process Definition**

A REMIC is a mortgage-backed security in which the cash flows of the underlying collateral are tranching into individual bonds, each of which has different maturities, coupons, and payment priorities. As the investors are able to buy the particular cash flow characteristics they desire, REMICs offer investors great investment flexibility. REMICs can be divided into Agency and Non-Agency Securities, depending on whether the collateral backing the securities are agency or not.

### **5.2 Purpose and Objectives**

- A. AFS/HFT Portfolio assets – included
- B. CounterParty Risk - not performed
- C. FAS 149 Daily Purchases – included
- D. FAS 149 Open Month End commitments – included

#### **Non-Agency Securities:**

Because the product purchased is typically known as “spread product”, the pricing involves applying the appropriate spread (in basis points) to the relevant benchmark yield curve. The relevant point on the benchmark curve is determined by calculating the security’s Weighted Average Life (WAL) with the appropriate prepay speed. By adding the current required spread to the appropriate point on the yield curve, the security’s required yield is derived. Once the yield is determined, the security’s price can be derived, as there is a direct inverse relationship between yield and price.

Spread methodology is applicable to all the Non-Agency products with the exception ALT-A pass-throughs with WAL of greater than 1.5 years, which are simply priced relative to the collateral. ALT-A pass-throughs with WAL of less than 1.5 years using the trailing 12 month CPR are priced as Alt-A sequential (the spread methodology)

Duration methodology is an alternative to the spread methodology. By using the Option Adjusted Duration and change in yield we can calculate the change in the price of the security and calculate the gain/loss.

### **5.3 Process Performers**

The participants in the Mark to Market process are the Non-Agency Mortgage Desk Director, Sr Trader, or Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description. Unless noted in the Process Steps as handoffs, steps are assumed to be performed by process performers.

### **5.4 Process Owner**

The Director of the Non-Agency Mortgage Desk will have responsibility for the ultimate ownership, review, and signoff for the process. The backup party responsible will be the

Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description

### ***5.5 Frequency/Duration***

The frequency for Non-Agency Mortgage Mark to Market is conducted during the first 5 business days of every month or as determined by Controllers.

### ***5.6 Critical Inputs/Information Required***

The Non-Agency Mortgage Desk uses Bloomberg systems. The Non-Agency Mortgage Desk uses input details from previous month's MTM File and hard copy printouts

### ***5.7 Critical Outputs/Expected Results***

The Director of the Non-Agency Mortgage Desk will review and verify the excel file from the Middle Office using the critical inputs/information. Should any corrections need to be made; the director will correct the spreadsheet and return to the Middle Office prior to the director signing off on the hard copy spreadsheet.

## **6 Details: Mark to Market for Non-Agency Mortgages**

### **6.1 Process Steps**

- 6.1.1 The Mark to Market Desk will send an Excel spreadsheet with marks received from various automated sources on all open positions.
- 6.1.2 The Director of the Non-Agency Mortgage Desk receives spreadsheets from the traders on trading activity on daily basis and uses the last day of the month spreadsheet to compare with the Mark to Market spreadsheet.
- 6.1.3 The Director of the Non-Agency Mortgage Desk will make edits to the Mark to Market Spreadsheet and return to the MTM Desk.
- 6.1.4 The Mark to Market Desk will review and update the AMTM system.
- 6.1.5 The Mark to Market Desk will obtain a signature from the trader and vice president (see Mark to Market Procedures) <C>.

### **6.2 Business Rules**

#### **6.2.1 Manual Process**

##### **Trader Review Process**

The Director/Trader is provided with a hard copy printout of the spreadsheet generated by AMTM containing the pricing. After the Director/trader is satisfied with the pricing, the trader signs off on the printout. If the Director/trader determines that a price is incorrect, then the mark is changed in the AMTM. Data trail of the original pricing inputs and subsequent changes are captured in the AMTM. <C>

##### **Director/VP Review Process**

The director/VP reviews the pricing after the trader review to provide another level of assurance to the validity of the mark-to-market pricing. Director will perform and online review using AMTM views. <C>

## **7 Process: Whole Loan Pricing**

This section details the responsibilities of the non-agency in regards to whole loan bidding.

### **7.1 Purpose and Objectives**

The Non-Agency Desk provides input regarding pricing and committing requirements for Portfolio acquisitions.

### **7.2 Process Performers**

The participants in the whole loan bidding process are the Non-Agency Mortgage Desk Director, Sr Trader, or Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description. Unless noted in the Process Steps as handoffs, steps are assumed to be performed by process performers.

### **7.3 Process Owner**

The Director of the Non-Agency Mortgage Desk will have responsibility for the ultimate ownership, review, and signoff for the process. The backup party responsible will be the Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description

### **7.4 Frequency/Duration**

When Single Family needs a bulk package to be priced for a whole loan bid.

### **7.5 Critical Inputs/Information Required**

The Desk uses the TAC and Bloomberg systems. Input details from EUC's are also used.

### **7.6 Critical Outputs/Expected Results – N/A**

List all outputs from the process that are either an input to another process (internal or external) or a final report. Outputs should include file or report names and descriptions. For each output designated as an input to another process, the corresponding System information and method of delivery should be identified.

Destination Source:

Internal/External:

Output details (report, file, feed name):

Detailed Contact Information for Destination Owners:

## **8 Details:**

### **8.1 Process Steps**

- 8.1.1 Single Family contacts the Non-Agency Desk regarding willingness to purchase the product and the appropriate pricing for the product.
- 8.1.2 The Non-Agency Desk may engage the Portfolio regarding pricing. Pricing may be model based or EUC pricing.
- 8.1.3 The Non-Agency Desk will return their decision on the product (willingness to purchase as well as appropriate price). The non agency desk hand our bid off to the Whole Loan Desk, and have the Whole Loan Desk deliver our bid directly to the Lender trading desk.
- 8.1.4 The whole loan desk is also set up to handle pair off's and other market conventions for whole loan bids. In addition, the Whole Loan Desk is authorized to deliver whole loan bids on behalf of the Portfolio. Using the Whole Loan desk will streamline our bid process from its current form (Portfolio to Single Family to CAM to Lender) to Whole Loan Desk to Lender. In addition given our commitment to improving procedures and controls this process ensures that the proper controls are in place and that we are able to deliver our bids in a quick and concise manner.

## 9 Goal Counting Process

1. Ten days after a subprime deal has settled the Housing Goals Coordinator from Portfolio Strategy will gather UPB & tranche information for each PLS security from the Trustee or Bloomberg and then calculate Fannie Mae's participation percent for each subprime purchase.
2. Fifteen days after a subprime deal has settled the Housing Goals Coordinator will contact dealers and acquire the FINAL tape for the subprime security that Fannie Mae purchased.
3. Upon receipt of the final tape, the Housing Goals Coordinator will review the tape for edits/missing data. If errors, the housing goals coordinator should ask for a corrected tape from the dealer.
4. The Housing Goals Coordinator will send these tapes with our participation percentage to Investor Channel-FMIS for the official calculation of our goals.
5. The tapes should be sent to Investor Channel-FMIS on a set schedule. These tapes should be sent on the last business day of April, July, October, and January.
6. If any data issues arise, FMIS will work with the housing goals coordinator to correct.
7. Investor Channel will upload the tapes into FMIS for the following month's goals calculation cycle. For example, 1st quarter tapes will be sent to Investor Channel on April 28th. FMIS will run tapes for goals calculation on May 3rd.
8. FMIS-ESO officially scores deals for housing goals.
9. FMIS-ESO distributes the results to Investor Channel, Capital Markets, Reg & Corp Hse Goals Oversight, and others.

## 10 Optimizing Subprime Packages for Goals

This process will allow the non agency trading desk to track our goals more closely on a month to month basis, until we are able to get official goal data from FMIS. These calculations are unofficial but will serve to guide the Non-Agency Mortgage team when making purchases' of subprime goal loans. In addition it will enhance our ability to produce accurate reports when asked by senior management and the housing goals area headed up by Paul Weech.

1. A Non-Agency Mortgage Trader will be contacted by a dealer for the purposes of facilitating a subprime MBS transaction.
2. The Non-Agency Mortgage Trader will collect a loan tape from the dealer with conforming loans the dealer is attempting to sell to Fannie Mae. This tape must have borrower income data.
3. The Non-Agency Mortgage Trader trader will email this tape to the Sr Deal Structuring Manager in Investor Channel.
4. The Sr Deal Structuring Manager will run the tape on Geo Coder and CAS and identify loans that qualify as purchase money housing goals for affordable, special affordable and underserved borrowers. In particular the Non-Agency Mortgage Trader will want to see the amount of incremental loans for each of these categories.
5. The Sr Deal Structuring Manager will email the tape identifying the goal loans back to the Non-Agency Mortgage Trader.
6. The Non-Agency Mortgage Trader will optimize Fannie Mae's loan group for housing goals. Optimization means the trader will exclude loans that are detrimental to our housing goals.
7. The result should be a pool that contains close to 100% purchase money goal loans.
8. The Non-Agency Mortgage Trader emails this optimized goal package back to the dealer.
9. Some negotiation may take place based on the pool sent back to the dealer.
10. Once the final pool is agreed upon between Fannie Mae and the dealer, the dealer will email the the Non-Agency Mortgage Trader the final loan package.
11. The Non-Agency Mortgage Trader will send this tape back to the Sr Deal Structuring Manager to run in Geo Coder and CAS.
12. The Sr Deal Structuring Manager will calculate the final number of incremental loans that Fannie Mae purchased on that particular package.

13. The Sr Deal Structuring Manager will email the Non-Agency Mortgage Trader and Portfolio Strategy Housing Goals Coordinator the resulting incremental goal loans for the package. In particular we will want to see the amount of incremental loans for purchase money affordable, purchase money special affordable, purchase money underserved.

14. The Portfolio Strategy Housing Goals Coordinator will retain these reports for each deal in a folder on the shared drive.

15. At the end of every month the Portfolio Strategy Housing Goals coordinator will calculate the total number of incremental goal loans purchased during the month for affordable, special affordable and underserved, so that we can track our housing goal purchases versus our 2006 HUD targets for incremental loans.

16. The Portfolio Strategy Housing Goals Coordinator will send out a monthly update to Capital Market and the Housing goals team.



## **11 Process Controls**

### **11.1 Control Objectives**

1. The trader will review the OAS and Deal Output (Bloomberg calculations and messages related to the deal, Deal term sheet, Free writing prospectus, TAC runs, Computational materials-marketing materials). <C>
2. If the deal is accepted, the Non-Agency Mortgage Trader collects from the dealer all applicable information to fill out the trade ticket. If the bid is declined, the process comes to an end. Trades are voice recorded. <C>
3. The trader needs to get authorization from the Director of the Non-Agency Mortgage Desk to put through trade tickets. <C>
4. The Mark to Market Desk will obtain a signature from the trader and vice president (see Mark to Market Procedures) <C>.
6. The trader is provided with a hard copy printout of the spreadsheet generated by AMTM containing the pricing. After the trader is satisfied with the pricing, the trader signs off on the printout. If the trader determines that a price is incorrect, then the mark is changed in the AMTM. Data trail of the original pricing inputs and subsequent changes are captured in the AMTM. <C>
7. The director/VP reviews the pricing after the trader review to provide another level of assurance to the validity of the mark-to-market pricing. Director will perform an online review using AMTM views. <C>

### **11.2 Control Responsibilities**

The Director of the Non-Agency Mortgage Desk will have responsibility for controls and the attestation process. The backup party responsible will be the Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description.

### **11.3 Frequency of Control Monitoring**

The Director of the Non-Agency Mortgage Desk will review controls periodically, when changes in processing occur, when limits are exceeded, and when allowable exceptions occur in the process. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy for contact information

### **11.4 Location/Retention of Evidence of Control – N/A**

If required, this section should provide a reference/link to the electronic copies of all reports generated for the process including preliminary and reaudited files. This section should also provide references to the location of any hard copy reports, if such copies are required.

## **12 End User Computing (EUC) List**

Please consult Tom King for complete list of EUC's.

Treasury\_share on Pmark10-sg2 : \EUC

## **13 Reports: PIC Color**

### **13.1 Report Definition**

The PIC Report is used to provide the Portfolio Investment Committee with a summary of activity from the previous week on Spec, ABS, and Alt-A commentary.

### **13.2 Purpose and Objectives**

The Middle Office will send a file with data from the IM system with all the various activities. This a good opportunity to eyeball the validity of all the analytics. The Non-Agency Mortgage Desk will provide a summary of the activity back to the Middle Office and will also send to the VP of Portfolio Transactions and the representative for the Portfolio Lender Channel in the PIC meeting.

### **13.3 Report Performers**

The participants in the PIC Color process are the Non-Agency Mortgage Desk Director, Sr Trader, or Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description.

### **13.4 Report Owner**

The Director of the Non-Agency Mortgage Desk will have responsibility for the ultimate ownership, review, and signoff for the process. The backup party responsible will be the Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description

### **13.5 Frequency/Duration**

The PIC report is done weekly. The IM report is received weekly from the Middle Office. The Non-Agency Mortgage Desk will provide the Middle Office with a summary of the week's activity by Friday Morning, before The PIC meeting, which occurs on Friday afternoon.

### **13.6 Location**

N/A

### **13.7 Distribution**

See Appendix D: Distribution Lists

\*Note – Report distribution list will be reviewed and updated annually.

### **13.8 Report Steps**

- 13.8.1 Trader will compile volume totals and commentary on trading activity in both new issue and secondary markets for Home Equity, Alt-A Fixed Rate and Alt-A Hybrid markets.
- 13.8.2 Email summarized weekly with Non-Agency Mortgage activity and finished product will be submitted to the distribution list.

## **14 Reports: RPC Presentation Slides**

### **14.1 Report Definition**

Portfolio Slides for Risk Policy Committee

### **14.2 Purpose and Objectives**

Details general credit position of the private label for senior management.

### **14.3 Report Performers**

The participants in the RPC Presentation Slides process are the Non-Agency Mortgage Desk Director, Sr Trader, or Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description.

### **14.4 Report Owner**

The Director of the Non-Agency Mortgage Desk will have responsibility for the ultimate ownership, review, and signoff for the process. The backup party responsible will be the Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description

### **14.5 Frequency/Duration**

Quarterly

### **14.6 Location**

fanniemaec.com\corp\dc\shared\finance\Commentary\RPC

### **14.7 Distribution**

See Appendix D: Distribution Lists

\*Note – Report distribution list will be reviewed and updated annually.

## **14.8 Report Steps**

- 14.8.1 Open the most recent dated file called “QBR Charts”
- 14.8.2 Update data on “Spreads” tab by running an SRBD query to populate “FNCL par OAS.”
- 14.8.3 Subprime AAA and BBB floater spreads should be pulled from [www.mtgstat.com](http://www.mtgstat.com) – under “Credit,” select “Historical ABS Spreads” and enter the dates needed.
- 14.8.4 Data on “Issuance” tab is pulled from the most recent issue of “Inside B&C Lending.”

## **15 Reports: WBR**

### **15.1 Report Definition**

Weekly Business Review

### **15.2 Purpose and Objectives**

ABS/MBS spread tracking to update senior management on market mortgage spreads trends.

### **15.3 Report Performers**

The participants in the WBR process are the Non-Agency Mortgage Desk Director, Sr Trader, or Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description.

### **15.4 Report Owner**

The Director of the Non-Agency Mortgage Desk will have responsibility for the ultimate ownership, review, and signoff for the process. The backup party responsible will be the Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description

### **15.5 Frequency/Duration**

Weekly

### **15.6 Location**

fanniemae.com\corp\dc\shared\finance\AandL

### **15.7 Distribution**

See Appendix D: Distribution Lists

\*Note – Report distribution list will be reviewed and updated annually.

## **15.8 Report Steps**

- 15.8.1 Update data points on tab entitled “ALTA\_JUMBO” with data from the following website: [www.live.lehman.com](http://www.live.lehman.com).
- 15.8.2 From the main page select “Fixed Income”, then from the left menu select “Mortgages/ABS/CMBS”, then “US MBS.”
- 15.8.3 Click on the “Research & Analytics” tab along the top of the screen and select the “MBS & ABS Weekly Outlook” from the Publications menu.
- 15.8.4 Choose the most recent report and then click “Non Agency Spread Report” to access the relevant data.
- 15.8.5 Once the data has been updated, adjust the cell references in cells N2-P30 to reference the most recent data.
- 15.8.6 To update “HEL\_CDO Spreads” tab, retrieve relevant data from sources listed below the data table.
- 15.8.7 Once the data has been updated, adjust the cell references in cells M3-S30 to reference the most recent data.

## **16 Reports: M2M Alt-A Levels**

### **16.1 Report Definition**

Alt-A paybacks from TBA for all coupons

### **16.2 Purpose and Objectives**

Marks on Alt-A trades relative to TBAs.

### **16.3 Report Performers**

The participants in the M2M Alt-A Levels process are the Non-Agency Mortgage Desk Director, Sr Trader, or Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description.

### **16.4 Report Owner**

The Director of the Non-Agency Mortgage Desk will have responsibility for the ultimate ownership, review, and signoff for the process. The backup party responsible will be the Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description

### **16.5 Frequency/Duration**

Monthly

### **16.6 Location**

fanniema.com\corp\dc\shared\finance\MarktoMarket

### **16.7 Distribution**

See Appendix D: Distribution Lists

\*Note – Report distribution list will be reviewed and updated annually.

### **16.8 Report Steps**

- 16.8.1 Obtain end of month closing levels on private label Alt-A securities from dealers that are most active in the sector.
- 16.8.2 Levels should be obtained across the 30-year and 15-year coupon stack.
- 16.8.3 Levels should be stated in \$/32nds, as a spread to good-settle agency TBA.

## **17 Reports: FHA/VA Reperformer Spreads**

### **17.1 Report Definition**

FHA/VA spreads to Swaps

### **17.2 Purpose and Objectives**

Track FHA/VA relative to Swaps

### **17.3 Report Performers**

The participants in the FHA/VA Reperformer Spreads process are the Non-Agency Mortgage Desk Director, Sr Trader, or Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description.

### **17.4 Report Owner**

The Director of the Non-Agency Mortgage Desk will have responsibility for the ultimate ownership, review, and signoff for the process. The backup party responsible will be the Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description

### **17.5 Frequency/Duration**

Monthly

### **17.6 Location**

fanniemae.com\corp\dc\shared\finance\MarktoMarket

### **17.7 Distribution**

See Appendix D: Distribution Lists

\*Note – Report distribution list will be reviewed and updated annually.

### **17.8 Report Steps**

- 17.8.1 Obtain end of month closing levels on private label FHA/VA Repperforming securities from dealers that are most active in the sector.
- 17.8.2 Levels should be obtained for 6% through 7.5% coupon pass-throughs, and for 3yr, 5yr, 7yr and 10yr sequentials.
- 17.8.3 Levels should be stated as a spread to Swaps.

## **18 Reports: Subprime Weekly**

### **18.1 Report Definition**

Weekly news and commentary on subprime mortgage market

### **18.2 Purpose and Objectives**

To update the firm on trends and nws in the subprime market.

### **18.3 Report Performers**

The participants in the Subprime Weekly process are the Non-Agency Mortgage Desk Director, Sr Trader, or Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description.

### **18.4 Report Owner**

The Director of the Non-Agency Mortgage Desk will have responsibility for the ultimate ownership, review, and signoff for the process. The backup party responsible will be the Sr Trader. Refer to the Portfolio Transaction Organization Chart located at S:\Trading Desk\ProcedureManual\Working Copy and Appendix B – Job Description

### **18.5 Frequency/Duration**

Weekly

### **18.6 Location**

fanniemae.com\corp\dc\shared\finance\ABSfiles



### **18.7 Distribution**

See Appendix D: Distribution Lists

\*Note – Report distribution list will be reviewed and updated annually.

### **18.8 Report Steps**

- 18.8.1 Trader will update spreads in sections entitled “AAA Execution” and “Capital Structure Execution” based on insight into market activity for the week. Spreads should be obtained for pass-throughs, 3yr, 5yr, 7yr and 10yr sequentials, and AA-BBB executions.
- 18.8.2 Levels for single name credit default swaps are obtained from Miriam Shaw @ Goldman Sachs.

## Appendix A: Portfolio Transaction Job Description

Functions for Traders are the same and only experience level for traders and sr. traders differs.

### Essential Functions and Responsibilities of This Position:

The Sr. Financial Analyst will be responsible for purchasing non agency mortgages for the retained mortgage portfolio. Responsibilities include tracking market activities, reporting relative value opportunities to senior management, making pricing recommendations, and executing transactions for the retained mortgage portfolio.

The Sr. Financial Analyst will also be responsible for day-to-day non agency pricing and acquisition process (ARM,s fixed rates, remics), assuring that product is purchased at levels consistent with senior management guidelines and that rigorous relative value analysis is applied to decisions.

Prepare reports and analysis related to purchase/sale transactions.

Analyze counterparty risk of new and existing originators and servicers.

Research, analyze and report on trends in the financial marketplace, focusing on macro-economic conditions and the effects on the fixed income markets.

Develop and maintain relationships with brokers, dealers and internal customers including single family staff, Accounting, Legal and Operations.

Develop a thorough understanding of our internal systems.

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#### Describe the position according to the following elements:

**Leadership and Accountability; Strategic Thinking/Problem Solving; Impact on Business; Relationship Management; Decision Making.**

1. Bid on non agency product. Use internal models and market prices to bid securities and recommend funding mix.

Performance Criterion: In order to purchase mortgage products, you will need to take in offers to sell or make bids to buy, prepare and interpret results of leverage returns on internal simulation models, and articulate the pricing rationale and funding recommendation to senior managers. You also will provide new execution ideas when possible. You should have the ability to listen and stay focused on information flow from dealers, knowing where products are and should be trading. Effective communication and coordination with Single Family Business and the Portfolio Strategy group will become increasingly important.

2. Prepare various transaction-related reports.

Performance Criterion: You should keep an organized database of transactions, in order for you and others in the department to understand our bid and return history. You should be comfortable reporting on market dynamics to peers in the department as well as to senior managers.

3. Establish and maintain relationships with dealers and key new product originators.

Performance Criterion: You will need to maintain active discussions with dealers and originators to understand their business and funding needs. Using the above information, you should be able to work with them in order to make relative value decisions for the Portfolio.

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#### Minimum Position Requirements --- Education/Experience/Skills:

A BA or BS in economics, finance, or related field of study is required; MBA is preferred.

Minimum 2 years work experience in a trading or market environment, with special consideration for experience in the MBS, ABS, or REMIC market. Examples of relevant experience include portfolio management, MBS trading, relative value comparison across mortgage products, REMIC structuring, mortgage credit analysis, and option-adjusted spread (OAS) analytics.

Should possess good analytic, communication and presentation skills, including familiarity with mortgage and interest rate models and valuation, spreadsheet software, and database systems.

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#### Working Conditions/Physical Requirements:

**Appendix C: Evidence of Controls**

Process Step	Control	Control Owner	Control Location (Evidence)
	The trader will review the OAS and Deal Output (Bloomberg messages related to the deal, Deal term sheet, Free writing prospectus, TAC runs, Collateral sheet, Computational materials-marketing materials). <C>		
	If the deal is accepted, the Non-Agency Mortgage Trader collects from the dealer all applicable information to fill out the trade ticket. If the bid is declined, the process comes to an end. Trades are voice recorded. <C>		
	The Mark to Market Desk will obtain a signature from the trader and vice president (see Mark to Market Procedures) <C>.		
	<p>The trader is provided with a hard copy printout of the spreadsheet generated by AMTM containing the pricing. After the trader is satisfied with the pricing, the trader signs off on the printout. If the trader determines that a price is incorrect, then the mark is changed in the AMTM. Data trail of the original pricing inputs and subsequent changes are captured in the AMTM. &lt;C&gt;</p> <p>The director/VP reviews the pricing after the trader review to provide another level of assurance to the validity of the mark-to-market pricing. Director will perform and online review using AMTM views. &lt;C&gt;</p>		

## 19 Appendix D: Distribution Lists

### 19.1 PIC Color

**Members:**

Angulo, Javier	<a href="mailto:javier_angulo@fanniemae.com">javier_angulo@fanniemae.com</a>
Butt, Bilal	<a href="mailto:bilal_butt@fanniemae.com">bilal_butt@fanniemae.com</a>
Edwards, Mia	<a href="mailto:mia_l_edwards@fanniemae.com">mia_l_edwards@fanniemae.com</a>

### 19.2 RPC Presentation Slides

**Members:**

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Decastro, Ramon	<a href="mailto:ramon_r_decastro@fanniemae.com">ramon_r_decastro@fanniemae.com</a>
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Shen, Steve	<a href="mailto:steve_shen@fanniemae.com">steve_shen@fanniemae.com</a>

### 19.3 WBR

**Members:**

Barrett, Barbara	<a href="mailto:barbara_barrett@fanniemae.com">barbara_barrett@fanniemae.com</a>
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### 19.4 M2M Alt-A Levels

**Members:**

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### 19.5 M2M FHA/VA Reperformer Spreads

**Members:**

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Ugincius, Peter	<a href="mailto:peter_ugincius@fanniemae.com">peter_ugincius@fanniemae.com</a>

### 19.6 Subprime Weekly

**Members:**

Subprime Weekly Distribution List – to be attached to Subprime Weekly Commentary